

Canadian Natural Resources Limited

Revised September 9, 1985 (OC)

Destroy all previous Basic and White cards on this Company

CUSIP Number 136385

Stock Symbol CNQ

Head Office — 400, 300 Fifth Ave. S.W., Calgary, Alta. T2P 3C4

Telephone — (403) 263-9540

THE COMPANY, is engaged in the exploration and development of petroleum and natural gas in Canada.

COMPARATIVE DATA									
Fiscal Year	L-Term Debt	Working Capital	Shldrs. Equity	Revenue	Cash Flow	Net Inc. Ops.	Earns. Per Sh.	Price Range High	Price Range Low
000's							Common Shares—		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1984....	17,077	460	d6,145	3,759	329	d23,721	d2.39	0.93	0.16
1983....	155,544	d3,423	d85,722	18,006	d3,149	d104,576	d10.34	2.89	0.69
1982....	144,362	444	58,883	81,208	2,352	d18,019	d1.80	9.60	1.06
1981....	128,951	4,724	77,333	107,404	13,372	d1,932	d0.22	27.88	8.35
1980....	21,817	8,579	62,415	8,160	5,669	2,064	0.18	29.00	8.50

CONSOLIDATED CAPITALIZATION AS AT DECEMBER 31, 1984

Outstanding		
Long-term debt		\$17,077,252
8.5% preferred stock	169,806 shs.	3,396,120
Common stock	10,021,172 shs.	70,774,381
Retained earnings		d80,315,343

QUICK REFERENCE DATA

Major Shareholder—Drummond Petroleum Ltd. holds approximately 27.8% interest.

Incorporation—B.C. charter, November 7, 1973; continued Alberta, June 28, 1985.

Auditors—Coopers & Lybrand, C.A., Calgary.

Fiscal Year Ends—December 31.

Annual Report Appeared—In June in 1985.

Annual Meeting—June 28 in 1985.

Bankers—The Royal Bank of Canada, Calgary.

Listed—CNQ, Toronto Stock Exchange.

Shareholders—At December 31, 1984, the company had 207 preferred and 1,851 common shareholders of which 98% and 90% respectively were Canadian residents.

Transfer Agent and Registrar—The Canada Trust Co., Vancouver, Calgary, Regina, Winnipeg and Toronto.

CURRENT ACTIVITIES

For the three months ended Mar. 31, 1985, net loss was \$156,043 or two cents per sh., compared with \$6,790,042 or 67 cents per sh. for the corresponding year-earlier period. Net income for the 1984 period includes a \$6,753,103 loss from discontinued operations. Net revenue rose 13% to \$1,075,315 from a restated \$955,168 in the previous year.

For the year ended Dec. 31, 1984, net income was \$79,959,483 or \$7.94 per common sh. compared with a loss of \$144,077,917 or \$14.24 per sh. for the previous year. Net sales declined marginally to \$3,759,396 from reclassified \$3,892,110. Results for 1984 include a \$23,457,816 loss from discontinued operations and an extraordinary gain of \$103,680,211 representing the excess of liabilities over assets of 79902 Resources Ltd. and CNR Resources Inc. deconsolidated during the year as part of debt restructuring.

The company's previous mineral exploration, development and contract mining operations are being discontinued.

PROPERTIES

At Dec. 31, 1984, the company's developed and undeveloped property interests were as follows:

	Gross Acres	Net Acres
British Columbia	16,771	767
Alberta	177,763	26,053
Saskatchewan	5,030	88
Ontario	47,995	11,875
Total	247,559	38,783

EXPLORATION AND DEVELOPMENT

During 1984, the company participated in the drilling of nine wells in Canada resulting in five gas wells and three oil wells. An additional four gas wells were drilled under farmout agreements at no cost to the company. Canadian Natural also participated in the addition of production facilities on existing properties in order to restore daily sales contract volumes.

During the three months ended Mar. 31, 1985, the company participated with minor working interests in drilling three wells, resulting in two gas wells.

In early 1985, as part of its bank debt restructuring, the company transferred to its principal bankers all of

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its interests in U.S. oil and gas properties held by wholly-owned, **CNR Resources Inc.** and **79902 Resources Ltd.** All Canadian oil and gas properties were retained.

Areas of current interest include the following:

Saskatchewan—The company holds 25% interest in the Hutton field where remaining recoverable reserves have been estimated at 84,700,000 mcf. natural gas. A new contract for 2,000 mcf/day was obtained during 1984, bringing total contracted volume to 10,500 mcf/day.

Alberta—In the Hackett/Ross Lake area, the company participated as to 10% interest in two gas wells, each of which will produce at approximately 1,000 mcf. per day by mid-1985. The company also holds interest in two other gas wells in the area under contract.

In the Auburndale field, three oil wells were drilled in 1984. Canadian Natural holds interests varying from 12.25% to 23.25% in six gas and 26 oil wells in 5,120 acres.

In the Little Bow area, the company and partners completed unitization of an oil pool and installed enhanced oil recovery facilities.

At Joffre, additional compression facilities installed in early 1985 will restore deliverability to minimum contracted sales volumes. (approximately 410,000 mcf. per day) At the Huxley gas unit, additional facilities installed in late 1984 and early 1985 resulted in an increased daily contract quantity of 8,700 mcf. from 5,900 mcf. The company holds working interest in these projects of 41.7% and 5.66%, respectively.

In the Fort McMurray area, the company holds 25% interest in 32,444 acres where reserves have been estimated at 4.1 billion bbls. oil. Production techniques are uneconomical for this bituminous sand deposit at present.

PRODUCTION

Production, before royalties, as given by the company has been as follows:

	Oil & Liquids		Natural Gas	
	Yearly Bbl.	Daily Bbl.	Yearly Mcf.	Daily Mcf.
1980	129,512	355	2,119,524	5,807
1981	180,611	495	3,451,000	9,455
1982	223,500	612	5,262,000	14,416
1983	224,290	614	4,253,000	11,652
1984	39,092	107	1,786,000	4,893

Note—In 1983 and prior years, includes production from U.S. properties.

RESERVES

Proven and probable reserves, at Jan. 1, have been reported as follows:

	Oil & Liquids, Bbl.		Natural Gas, Mcf.
	Oil & Liquids, Bbl.	Natural Gas, Mcf.	
1985	598,067	38,013,000	
1984	1,634,549	73,930,000	
1983	2,435,000	124,646,000	
1982	4,217,000	161,200,000	
1981	8,400,000	158,000,000	

Note—In 1983 and prior years, includes reserves from U.S. properties.

WHOLLY-OWNED SUBSIDIARIES

Ungava Resources Ltd.
Cenare Resources Ltd.

ACCOUNTING CHANGES

In 1982, the company changed its accounting policies relating to depreciation and to translation of foreign currencies. The net effect of the \$487,975 credit from the former and \$351,393 charge from the latter change is a \$136,582 credit to retained earnings. Restated to the same basis, net loss for 1981 was \$2,366,848 or 27 cents per share, revenue \$107,319,921, cash flow \$12,782,062, fixed assets \$189,772,320 and total assets \$238,043,592.

HISTORY

1973—Incorporated Nov. 7, in B.C. as AEX Minerals Corporation.

1974—Acquired from AEX Syndicate options on properties in Faro area, Yukon, owned by Kerr Addison Mines and its associate, Vandorga Mines Limited.

1975—Effective Oct. 20, 1975, 79902 Resources Limited acquired for 2,053,850 company shares (share-for-share basis). Name changed to present form Dec. 5.

1979—Sold (May 15) the 40% interest in the Grum and Vandorga properties near Faro, Yukon to Cyprus Anvil Mining Corporation for \$7,153,000, retaining a 5% net profits interest.

1981—On Jan. 19, acquired Canadian Mine Services Ltd. for \$16,979,015 by issuing 618,182 common shares. Drummond Petroleum Ltd. became major shareholder (approx. 28% int.).

1983—Exchanged int. in Livengood, Alaska gold placer operation for 43.25% int. in a new public company, Galaxy Minerals, Inc.

1984—On Feb. 17, Canadian Mine Services Limited and its subsidiaries ceased operations, following inability to meet financing commitment. Galaxy Minerals Inc. was petitioned into bankruptcy by unsecured creditors.

1985—As part debt restructuring, conveyed to its principal bankers all ownership in 79902 Resources Limited and CNR Resources, Inc., which owned gas and oil properties in the United States. Effective June 28, continued under the Business Corporations Act (Alberta).

OFFICERS AND DIRECTORS

Officers—R. A. Boulware, chm. & pres.; A. M. Knight, v-p. explor.; J. G. Langille, v-p. finance, treas. & sec.; D. C. Wales, contr.

Directors—J. S. Davidson, Vancouver; R. A. Boulware, J. G. Langille, J. A. Williams, all Calgary.

CAPITAL STOCK

(As at Dec. 31, 1984)

	Author.	Outstand.	Par
Preferred	5,000,000 shs.		\$20
8.50% Ser. A		169,806 shs.	
Common	15,000,000 shs.	10,021,172 shs.	n.p.v.

8.50% Convertible Preferred, Series A:

Entitled to cumulative preferential cash dividends at the rate of \$1.70 per share per annum.

In the event of liquidation, etc., entitled to \$20 per share plus accrued dividends; if voluntary and prior to Dec. 31, 1985, entitled to \$21 a share, and thereafter to the then current redemption price.

Convertible to the close of business on Dec. 31, 1989, or if called for redemption, up to the close of business on the last business day preceding the date fixed for redemption, at a conversion price of \$9.25 per common share (approximately 2.16 common shares for each preferred). The conversion privilege is subject to adjustment in certain events.

Redemption—Non-redeemable prior to June 30, 1982; thereafter redeemable only if the weighted average price at which common shares have traded on the Toronto Stock Exchange was at least 125% of the then conversion price for 20 consecutive trading days ending not more than five days prior to notice of redemption. Subject to the foregoing, redeemable at the option of the company in whole or in part at \$21 per share before Dec. 31, 1985; \$20.80 on or after Dec. 31, 1985 and before Dec. 31, 1986; \$20.60 on or after Dec. 31, 1986 and before Dec. 31, 1987; \$20.40 on or after Dec. 31, 1987 and before Dec. 31, 1988; \$20.20 on or after Dec. 31, 1988 and before Dec. 31, 1989; and thereafter at \$20; in each case plus accrued dividends.

Except under certain restrictions, the company will be entitled to purchase for cancellation at any time all or any part of the series A preferred shares at price not exceeding \$21 per share plus accrued dividends if such purchase is made before Dec. 31, 1985; and thereafter at a price not exceeding then current redemption price and accrued dividends, plus in all cases, costs of purchase.

Purchase Obligation—The company shall make all reasonable efforts to purchase for cancellation in each

calendar quarter commencing Jan. 1, 1983, 5,000 series A preferred shares to the extent that such shares are available at a price not exceeding \$20 per share plus costs of purchase. If the company is unable to purchase such shares in any calendar quarter, such obligation shall carry forward to the next three calendar quarters, and to the extent not then satisfied, shall be extinguished.

Certain restrictions are placed on the issue of additional shares, payment of dividends and retirement of shares.

Non-voting unless eight quarterly dividends or four half-yearly dividends in arrears, when entitled to one vote per share, but only for the purpose of voting separately as a class to elect two members to the board of directors.

Purpose of Issue—Net proceeds applied to retire outstanding bank indebtedness, with the balance added to working capital.

Offered—500,000 shares at \$20 per share in November, 1979, by a group headed by Midland Doherty Ltd.

Common—One vote per share.

CAPITAL STOCK CHANGES

Authorized capital of the company, on incorporation, Nov. 7, 1973, amounted to 10,000,000 shares of \$1 par. Subsequently, 1,150,002 shares were issued for cash (\$365,002) and 750,000 for mineral property.

On June 19, 1974, the shares were redesignated as no par value. In June-July, 1974, 250,000 shares were sold at \$1.50 per share to net the company \$350,000.

On Aug. 6, 1975, 79902 Resources Limited acquired 800,000 treasury shares for \$2,500,000. Under an agreement dated Oct. 20, 1975, the company issued 2,053,850 shares to acquire 79902 Resources Limited on a share-for-share basis, bringing outstanding capital to 4,203,852 common shares at Dec. 31, 1975, excluding the shares held by the wholly-owned subsidiary.

During 1976, 6,000 shares were issued under employee options.

In 1977, the company issued 300,000 shares to participants in a 79902 Resources Limited drilling fund, 4,000 shares under employee options and 705,883 shares for cash to Coseka Resources Ltd.

In 1978, 55,000 shares were issued for mineral property and 120,000 under a stock purchase and conversion plan between 79902 Resources and certain employees.

On Nov. 9, 1979, authorized capital was increased to 15,000,000 common and 5,000,000 preferred shares, \$20 par, of which 500,000 were issued, designat-

ated 8.50% cumulative, redeemable convertible, series A.

During 1979, 504,432 common shares were issued on conversion of debentures, 705,883 on exercise of options, 30,000 pursuant to share purchase agreements, and 360,000 for acquisition of oil and gas properties.

During 1980, 1,800,000 common shares were issued for cash, 566,479 on conversion of 262,028 preferred shares, and 18,000 pursuant to share purchase agreements.

During 1981, 618,182 common shares were issued on acquisition of Canadian Mine Services Ltd., 147,361 on conversion of 68,166 preferred shares, 15,000 pursuant to share purchase agreements, and 12,000 on exercise of outstanding options. At Dec. 31, 1981, there were 169,806 preferred and 10,172,072 common shares outstanding.

In 1982, the 15,000 shares issued in 1981 under purchase agreements were cancelled, reducing shares outstanding to 10,157,072.

In 1983, 90,900 shares were returned to the company under the terms of share purchase agreements, thereby decreasing shares outstanding to 10,066,172.

During 1984, 45,000 shares were repurchased under share purchase agreements, bringing the total number of shares outstanding at Dec. 31, 1984 to 10,021,172.

PRICE RANGE OF STOCK

Series A Pref.

Year	High	Low	Year	High	Low
1980	\$62.00	\$27.00	1983	\$15.25	\$4.25
1981	59.00	8.50	1984	0.93	0.16
1982	20.50	8.00			

▲Listed Feb. 14.

DIVIDENDS

8.50% Pref., Ser. A—None paid since Sept. 30, 1983. Arrears at June 30, 1985 amounted to \$505,172.85 or \$2.95 per share.

Common—No dividends paid to date.

LONG-TERM DEBT

At Dec. 31, 1984, the company had outstanding \$17,077,252 in demand notes, floating rate notes, financing fees and accrued interest.

A new loan agreement, established Jan. 11, 1985 provided: accrued interest (\$1,077,252) be established as a demand promissory note at prime rate plus 1%; maximum interest rate on all debt will not exceed 13.5% prior to Dec. 31, 1985; the financing fee (\$3,500,000) will be repaid commencing 1988 and the loan principal will be repaid commencing over six years from Dec. 31, 1987.

INTERIM EARNINGS

Fiscal Year	Net Revenue*	Net Inc. Oper.	Earns. Per Sh.	Net Revenue*	Net Inc. Oper.	Earns. Per Sh.	Net Revenue*	Net Inc. Oper.	Earns. Per Sh.
	3 months			6 months			9 months		
	\$000's		\$—	\$000's		\$—	\$000's		\$—
1978	782	203	0.04	1,457	327	0.06	2,205	505	0.10
1979	808	202	0.04	1,629	1,028	0.16	2,748	1,144	0.19
1980	1,672	401	0.06	3,300	1,315	0.13	5,081	1,951	0.18
1981	26,290	740	0.06	54,977	1,420	0.12	82,462	1,672	0.14
1982	23,128	d460	d0.05	45,228	d3,954	d0.40	63,848	d6,778	d0.69
1983	17,010	d2,414	d0.24	32,722	d5,725	d0.55	53,631	11,088	d1.07
1984	4,455	d6,790	d0.67	8,046	d15,027	d1.48	11,838	d19,498	d1.92
1985	1,075	d156	d0.02						

*After royalties; excludes interest and other income.

CONSOLIDATED STATEMENT OF INCOME
AND DEFICIT

Years Ended December 31

	1984	1983	1982
	\$000's		
Sales	4,593	23,255	87,460
Less: Royalties	834	5,249	6,252
	3,759	18,006	81,208
Interest income		132	1,349
Total revenue	3,759	18,138	82,557
Less: Production exps.	785	4,262	51,256
Admin. exps.	1,037	2,817	12,648
Deprec., etc.	592	18,991	14,803
Interest charges	1,608	13,998	16,239
Properties written down		82,000	5,712
Inc. taxes: Current			662
Deferred		436	1,406
Loss on foreign exchange		210	136
Add: Minority interest			31
Net income, operations	d263	d104,576	d18,462
Add: Income tax reduction			443
Extraord. items	103,680		
Less: Write down subsid.	23,458	39,502	
Net income	79,959	d144,078	d18,019
Add: Previous ret. earns.	d160,275	d15,980	2,191
Adjustments			137
Less: Pref. divs.		217	289
Accum. deficit	80,316	160,275	15,980

*See Accounting Changes.

Resulting from the deconsolidation of two U.S. subsidiary companies, 79902 Resources Limited and CNR Resources, Inc.
Remuneration—Of directors and senior officers has been as follows: 1984, \$513,314; 1983, \$512,521; and 1982, \$663,186.

Earnings Per Share:

Common: Earned ^a	d\$2.39	d\$10.34	d\$1.85
Earned ^b	7.94	d14.24	d1.80

^aBefore (after) extraordinary items.^bBased on weighted monthly average number of shares outstanding.

Dividends Paid:

Preferred	nil	\$1,275	\$1.70
Common: None paid to date.			

Shares Outstanding:

8.5% Preferred	169,806	169,806	169,806
Common	10,021,172	10,066,072	10,157,072

CONSOLIDATED BALANCE SHEET AT DEC. 31

	1984	1983	1982
	\$000's		
Assets			
Current:			
Cash & equivalent	558		795
Accounts receivable	766	3,906	17,859
Prepaid exps., etc.	2	58	1,544
	1,326	3,964	20,198
Property & equipment*	12,221	75,103	196,712
Other assets	42	444	12,080
	13,589	79,511	228,990
Liabilities			
Current:			
Accts. pay. & accrued	866	4,542	17,975
Inc. taxes payable			459
Deferred taxes			155
Debt due 1 yr.		2,845	1,165
	866	7,387	19,754
Long-term debt	17,077	152,696	143,197
Gas prod'n prepay.	488	660	688
Minority interest			76
Deferred incomes taxes	1,303	4,490	6,391
Shareholders' Equity			
8.5% preferred shares	3,396	3,396	3,396
Common shares	70,774	71,157	71,468
Accum. deficit	80,315	160,275	15,980
	13,589	79,511	228,990
*After accum. deprec. of	4,343	38,095	30,450
Working capital (\$000's)	460	d3,423	444
Ratio	1.53—1	0.53—1	1.02—1

HISTORICAL SUMMARY

Fiscal Year	L-term Debt	Working Capital	*Net Sales	Other Income	Cash Flow	Net Inc. Oper.	Earns. Per Sh.	Price Range
			\$000's					High Low
	\$	\$	\$	\$	\$	\$	\$	\$ \$
1974								▲6.00 ▲1.25
1975	2,519	351	283	10	114	14	0.06	4.50 1.81
1976	5,489	d317	1,016	10	720	268	0.12	5.25 3.40
1977	9,316	208	2,740	3	1,616	539	0.13	5.38 3.40
1978	10,688	d238	3,019	9	1,686	676	0.24	4.50 2.80
1979	5,660	2,183	4,362	820	2,732	1,480	0.18	9.50 3.20
1980	21,817	8,579	7,975	185	5,669	2,064	d0.22	29.00 8.50
1981	128,951	4,724	107,270	134	13,372	d1,932	d1.80	27.88 8.35
1982	144,362	444	81,208	1,349	2,352	d18,462	d10.34	9.60 1.06
1983	155,541	d3,423	18,006	133	d3,149	d104,576	d2.39	2.89 0.69
1984	17,077	460	3,759	329	d23,721	d2.63	d2.39	0.93 0.16

▲Listed July 31.

*Net of royalties.

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

